

# Budget Outlook Methodology

January 17, 2017



Washington State  
Economic and Revenue Forecast Council

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WASHINGTON STATE  
**ECONOMIC AND REVENUE FORECAST COUNCIL**

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## AGENDA

### **Budget Outlook Meeting**

January 17, 2017  
10:00 a.m.

- Call to order
- Approval of meeting minutes: November 16, 2016
- Discussion: Methodology for the Budget Outlook
- Discussion: Selecting the Chair of the Economic and Revenue Forecast Council
- Adjourn

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STATE OF WASHINGTON

## ECONOMIC AND REVENUE FORECAST COUNCIL

Capitol Plaza Building, PO Box 40912 □ Olympia, Washington 98504-0912 □ (360) 534-1560

### Meeting Minutes Revenue Review

November 16, 2016

John L. O'Brien, Hearing Room D

#### **Economic and Revenue Forecast Council**

##### *Members Present*

Jim Hargrove, Senate (via phone)  
John Braun, Senate  
Terry Nealey, House of Representatives (via phone)  
Timm Ormsby, House of Representatives  
James McIntire, Treasurer  
David Schumacher, Office of Financial Management  
Vikki Smith, Department of Revenue

##### *Staff*

Steve Lerch, Executive Director, ERFC  
Andy Toulon, House  
Pam Davidson, OFM  
Michael Bezanson, Senate

#### **Call to Order**

The meeting was called to order by Director Schumacher at 10:02 a.m.

#### **Motion**

Treasurer McIntire moved, seconded by Director Smith, to adopted the November 2, 2016 meeting minutes at, motion passed at 10:03.

#### **Forecast Presentation**

Dr. Lerch presented information on the final economic and revenue forecast. Dr. Lerch summarized the forecast changes. Discussion ensued regarding the cannabis forecast.

#### **Motion**

Treasurer McIntire moved, seconded by Representative Ormsby, that the baseline revenue forecast be adopted. Council unanimously approved the motion at 10:20 a.m.

#### **Budget Outlook Presentation**

Members of the Budget Outlook Work Group presented options for the budget outlook as requested on November 2<sup>nd</sup>. Discussion ensued regarding the methodology utilized, the use of a biennial number for ERFC-estimated McCleary costs, the requirements under the outlook guidance, and an emphasis that policy decisions that will affect the outlook have not been made as of the date of this meeting.

#### **Motion**

Senator Hargrove moved to adopt an official outlook that reflects McCleary-related compensation amounts of zero in fiscal year 2018, \$1.7 billion in fiscal year 2019, and \$3.5 billion for the 2019-21 biennium. The outlook was to include a footnote that states that these numbers are estimates. Motion seconded by Representative Ormsby. Director Smith, Director Schumacher, Treasurer McIntire, Representative Ormsby and Senator Hargrove all approved the motion. Senator Braun and Representative Nealey casted dissenting votes. Motion passed at 10:38 a.m.

#### **Point of Personal Privilege**

Treasurer McIntire commented on the importance of using the Outlook to guide budget development. Treasurer McIntire briefly reflected on the history of the ERFC, its importance to

the budget process and the positive impact it has had on the state's credit rating, which in turn has helped reduce the interest rates on Washington bonds. Lastly, he thanked the group for the opportunity to serve since 2003.

**Point of Personal Privilege**

Senator Hargrove acknowledged the end of his service since 2012 and thanked the Council.

**Adjournment**

With no further business the meeting adjourned at 10:48 a.m.

January 13, 2017

To: Economic and Revenue Forecast Council

From: State Budget Outlook Work Group

Subject: Guidance for preparing the Outlook for the Governor's Proposed Budget

On January 23rd, 2017, the Economic and Revenue Forecast Council is scheduled to adopt a 4-year Outlook on the Governor's proposed budget. The State Budget Outlook Work Group (Work Group) is preparing the Outlook to the Governor's proposed new law FY 2017-19 operating budget which assumes new revenues and resources. The Governor's budget assumes passage of legislation that suspends the four year balanced budget requirement. A footnote will be included describing the Governor's proposed suspension.

As provided for in the Budget Outlook statute, Council members may request an alternative Outlook be prepared using assumptions other than those used in the official Outlook prepared by staff. This could include an Outlook for the Governor's current law budget which does not assume new revenue.

In order to prepare the Outlook, the work group seeks guidance from the Council on Tuesday, January 17 on the following issue. The Governor's proposed new law budget assumes that by Fiscal Year 2020, Congress will approve national remote sales tax legislation that is estimated by the Department of Revenue to bring in about \$360 million in the 2019-21 biennium. Does the Council want this assumption included in the Outlook for the Governor's proposed budget?

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## **Governance Guidance**

January 17, 2017

### **RCW 82.33.010**

#### **Economic and revenue forecast council – Oversight and approval of economic and revenue forecasts.**

(1) The economic and revenue forecast council is hereby created. The council shall consist of two individuals appointed by the governor and four individuals, one of whom is appointed by the chairperson of each of the two largest political caucuses in the senate and house of representatives. The chair of the council shall be selected from among the four caucus appointees. The council may select such other officers as the members deem necessary.

### **Motion Review**

November 5, 2010      After discussion, the Council agreed the Chair's term should not exceed two years and that they would continue to choose amongst themselves, fairly alternating between parties and bodies, one of the legislative members as mandated by RCW 82.33.

### **History of the Chair position since 2010**

Past chairs selected on basis of this motion:

- 2011-12: Rep. Orcutt, R
- 2013-14: Rep. Hunter, D
- 2015-16: Sen. Hill, MCC